Oil & Natural Gas Corpn Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	ONGC remains a dominant upstream player transitioning into an integrated energy major, currently managing a massive □118,729 Cr capital work-in-progress (CWIP) base to offset legacy field declines.	□
2	***Revenue contracted 4.86% YoY to 601,581 Cr, driven by a 1.6% decline in crude production and a 3.3% drop in gas volumes despite aggressive capital outlay.***	□
3	**Operating margins (OPM) expanded significantly from 12% to 17% due to optimized raw material costs, de-risking the bottom line against price volatility.**	□
4	**Net Profit surged 68.6% to □55,273 Cr, though earnings quality was impacted by a □1,030 Cr non-cash impairment reversal and lower exceptional losses.**	□
5	***Total Debt escalated 34.4% to 191,195 Cr to fund expansion, resulting in a 65% spike in finance costs to 12,291 Cr.***	□
6	**Cash generation remains a core strength with CFO at □98,847 Cr (1.79x PAT), providing a robust 18% ROCE and ample liquidity for reinvestment.**	□
7	**Free Cash Flow of □60,965 Cr comfortably covers the □12,895 Cr dividend payout, maintaining a sustainable yield for institutional shareholders.**	□
8	***Working capital efficiency deteriorated as inventory days stretched from 61 to 87, absorbing 7,961 Cr in cash and signaling potential off-take bottlenecks.***	□
9	**Governance standards are high with a 9/10 rating, characterized by 50% board independence, zero promoter pledging, and an 18-year streak of Reserve Replacement Ratio >1.**	□
10	***Material off-balance sheet risks persist via 7,778 Cr in backstopping for OPaL and 63,138 Cr in OVL guarantees, alongside 27,096 Cr in geopolitical impairment risk in Russia.***	□
11	**The commencement of "First Oil" from KG-DWN-98/2 in Jan 2024 serves as the primary catalyst for reversing volume declines in FY25.**	□
12	**Investment Stance: ACCUMULATE; key monitorables include the stabilization of KG-basin production targets and potential equity write-downs in the petrochemical JVs.**	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** ONGC is a vertically integrated energy major operating across the entire value chain: Upstream (Exploration & Production of Crude Oil and Natural Gas), Downstream (Refining and Marketing via MRPL and HPCL), and Petrochemicals (via OPaL and MRPL).
- **Revenue Drivers:** Primary drivers include international crude oil prices (Dated Brent), domestic gas price realizations, and refining margins (GRMs) from downstream subsidiaries.

- **Cost Drivers:** Major costs include statutory levies (Royalty, Cess, Profit Petroleum), depletion/depreciation of oil and gas assets, exploration write-offs, and high finance costs from leveraged JVs.
- **Industry Position:** India’s largest crude oil and natural gas producer; maintains a dominant market share in the domestic upstream sector and is a Maharatna PSU.
- **Expansion Plans:** Targeting a "1:1:1" integration mandate to balance Production, Refining, and Marketing; aggressive "Future Exploration Strategy" aiming to cover 500,000 sq. km by 2025.
- **Green Energy Pivot:** Incorporation of **ONGC Green Limited (OGL)** with a ₹1 Trillion decarbonization roadmap and a target of 10 GW renewable capacity by 2030.
- **Capacity Additions:** Significant focus on deepwater monetization, specifically the KG-DWN-98/2 block in the Krishna Godavari basin, which commenced "First Oil" in January 2024.
- **Segment Performance:** Upstream production saw a slight decline (Crude: -1.6% YoY; Gas: -3.3% YoY), while downstream and petrochemical segments remain high-utilization but capital-intensive.
- **Geographical Presence:** Global footprint through ONGC Videsh (OVL) with 32 projects across 15 countries, including significant assets in Russia (Sakhalin-1), Mozambique, and Brazil.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has explicitly articulated a "Truly Integrated Company" vision, targeting a balanced ratio between Production, Refining, and Marketing (1:1:1) to hedge against oil price volatility.
- The strategy has shifted from "resource identification" to "monetization speed," with a focus on deepwater assets and the formalization of the green energy roadmap through ONGC Green Limited.
- The commencement of "First Oil" from the KG-DWN-98/2 milestone is expected to add 7% to India’s total oil/gas production at peak, signaling improved technical competency in HPHT environments.
- Management expects the Reserve Replacement Ratio (RRR) to remain strong (1.15 in FY24), marking the 18th consecutive year of RRR >1, though translating this into volume growth remains a challenge.
- Digital transformation initiatives like "ONGC DARPAN" and the "Digital Center of Excellence" are being used to centralize vendor invoices and use AI for well-analytics to reduce bureaucratic drag.
- The company is seeking a Letter of Comfort (LoC) for ₹5,400 Cr for OPaL debt, framed as "capital restructuring" to eventually increase equity stake in the petrochemical JV.
- The long-term vision includes a ₹2 Trillion decarbonization plan by 2038, requiring a pivot from a traditional drilling culture to a project management-led renewable culture.
- Management remains defensive regarding the financial health of petrochemical JVs but confident in technical capabilities for offshore and deepwater exploration.
- Management Tone: Confident in technical capability and deepwater execution, but defensive regarding the financial health and persistent "Going Concern" doubts of petrochemical JVs like OPaL. The focus has clearly shifted from pure exploration to operational efficiency and decarbonization (Pragmatic Urgency).

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2024	Mar 2023
Sales -	601,581.00	632,291.00
Sales Growth %	-4.86	28.71
Expenses -	499,198.00	556,764.00
Material Cost % -	38.18	42.49
Raw material cost	234,072.00	266,120.00
Change in inventory	-4,395.00	2,566.00
Manufacturing Cost %	35.99	35.47
Employee Cost %	2.57	2.36
Other Cost %	6.24	7.73
Operating Profit	102,383.00	75,527.00
OPM %	17.00	12.00
Other Income -	14,712.00	-30.00
Exceptional items	-1,568.00	-8,138.00
Other income normal	16,280.00	8,108.00
Interest	13,026.00	7,889.00
Depreciation	30,440.00	24,557.00
Profit before tax	73,629.00	43,051.00
Tax %	25.00	24.00
Net Profit -	55,273.00	32,778.00
Profit from Associates	0.00	0.00
Minority share	-6,129.00	2,663.00
Exceptional items AT	-1,168.00	-5,374.00
Profit excl Excep	56,442.00	38,151.00
Profit for PE	50,183.00	40,814.00
Profit for EPS	49,144.00	35,440.00
Profit Growth %	23.00	-13.00
EPS in Rs	39.06	28.17
Dividend Payout %	31.00	40.00

Balance Sheet (□Crores)

Line Item	Mar 2024	Mar 2023
Equity Capital	6,290.00	6,290.00
Reserves	332,779.00	274,357.00
Borrowings -	191,195.00	142,255.00
Long term Borrowings	96,971.00	98,360.00
Short term Borrowings	60,715.00	30,826.00
Lease Liabilities	33,510.00	13,069.00
Other Borrowings	0.00	0.00
Other Liabilities -	206,357.00	190,212.00
Non controlling int	20,555.00	20,608.00
Trade Payables	38,147.00	33,643.00
Advance from Customers	1,424.00	1,325.00
Other liability items	146,230.00	134,637.00
Total Liabilities	736,621.00	613,115.00
Fixed Assets -	317,183.00	250,819.00
Land	10,040.00	8,970.00
Building	23,322.00	18,545.00
Plant Machinery	194,740.00	130,419.00
Equipments	7,638.00	6,454.00
Furniture n fittings	2,160.00	1,838.00
Railway sidings	791.00	793.00
Vehicles	8,775.00	7,366.00
Intangible Assets	27,096.00	26,702.00
Other fixed assets	147,339.00	132,213.00
Gross Block	421,901.00	333,300.00
Accumulated Depreciation	104,718.00	82,481.00
CWIP	118,729.00	113,945.00
Investments	100,862.00	78,873.00
Other Assets -	199,847.00	169,478.00
Inventories	54,798.00	45,238.00
Trade receivables	19,704.00	18,752.00
Cash Equivalents	41,832.00	29,140.00
Loans n Advances	-1,139.00	-1,060.00
Other asset items	84,652.00	77,407.00
Total Assets	736,621.00	613,115.00

Cash Flow Statement (□Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	98,847.00	84,211.00
Profit from operations	113,184.00	91,188.00
Receivables	-729.00	615.00
Inventory	-7,961.00	9,238.00
Payables	9,124.00	-4,639.00
Loans Advances	-1,164.00	526.00
Other WC items	958.00	2,581.00
Working capital changes	229.00	8,322.00
Direct taxes	-14,566.00	-15,299.00
Other operating items	0.00	0.00
Cash from Investing Activity -	-57,423.00	-72,799.00
Fixed assets purchased	-38,133.00	-36,792.00
Fixed assets sold	251.00	339.00
Investments purchased	-8.00	-291.00
Investments sold	32.00	0.00
Subsidy received	5.00	0.00
Interest received	4,551.00	2,386.00
Dividends received	3,656.00	3,026.00
Investment in group cos	-3,530.00	-3,407.00
Acquisition of companies	0.00	0.00
Other investing items	-24,248.00	-38,060.00
Cash from Financing Activity -	-45,009.00	-12,916.00
Proceeds from borrowings	27,959.00	27,701.00
Repayment of borrowings	-39,862.00	-10,267.00
Interest paid fin	-12,291.00	-6,134.00
Dividends paid	-12,895.00	-17,609.00
Financial liabilities	-7,312.00	-5,948.00
Share application money	0.00	0.00
Other financing items	-609.00	-659.00
Net Cash Flow	-3,586.00	-1,504.00
Free Cash Flow	60,965.00	47,758.00
CFO/OP	111.00	132.00

Key Ratios (₹Crores)

Line Item	Mar 2024	Mar 2023
Debtor Days	12.00	11.00
Inventory Days	87.00	61.00
Days Payable	61.00	46.00
Cash Conversion Cycle	38.00	27.00
Working Capital Days	-46.00	-30.00
ROCE %	18.00	14.00

3.2 Financial Analysis Summary

- **Revenue** declined by 4.86% to **₹601,581.00 Cr**, yet **Operating Profit** surged 35.5% to **₹102,383.00 Cr** as **OPM %** expanded from 12% to 17%, largely driven by a reduction in raw material costs from 42.49% to 38.18% of sales; this top-line figure is net of "Profit Petroleum" (government share), which fluctuates based on capital cost recovery in Production Sharing Contracts.
- **Net Profit** grew 68.6% to **₹55,273.00 Cr**, significantly outpacing **Revenue** due to a sharp rise in **Other income normal** to **₹16,280.00 Cr** and lower exceptional losses of **₹1,568.00 Cr**; however, this includes a non-cash **Write back of Impairment** of **₹1,030.94 Cr** which artificially boosts **PAT**.
- **Depreciation** and depletion rose to **₹30,440.00 Cr**, with depletion of **₹17,193.25 Cr** calculated via the "Unit of Production" method, making the **P&L** highly sensitive to annual revisions in proved developed reserves.
- **Total Debt** (**Borrowings**) increased by 34.4% to **₹191,195.00 Cr**, with **Short term Borrowings** nearly doubling to **₹60,715.00 Cr** to fund working capital and **Capex**, leading to a 65% spike in **Finance Cost** to **₹13,026.00 Cr**; high-cost **Lease Liabilities** (12.29% interest) for FPSO vessels in Brazil contribute significantly to this burden.
- **Working Capital** efficiency deteriorated as **Inventory Days** stretched from 61 to 87 days, with **Inventories** on the **Balance Sheet** rising to **₹54,798.00 Cr**; natural gas is not inventoried (expensed immediately), meaning this buildup is concentrated in crude oil and stores/spares.
- **Cash from Operating Activity** (**CFO**) remained robust at **₹98,847.00 Cr**, providing a healthy **CFO / PAT** ratio of 1.79x, although **Working capital changes** contributed only a marginal **₹229.00 Cr** to cash flow due to the inventory buildup.
- **Capex** intensity remains high with **Fixed assets purchased** of **₹38,133.00 Cr** and **CWIP** standing at **₹118,729.00 Cr**; a massive **₹39,069.63 Cr** of this **CWIP** is tied up in "Oil & Gas Facilities," signaling heavy infrastructure investment that has yet to contribute to **Revenue**.
- **Investments** rose to **₹100,862.00 Cr**, but significant off-balance sheet risk exists via backstopping support for **₹7,778.00 Cr** of CCDs issued by OPaL, a joint venture where ONGC bears disproportionate financial exposure.
- **ROCE** improved to 18.00% from 14.00%, reflecting better capital efficiency on the existing asset base, while **ROE** reached 16.30% as the company leveraged its **Balance Sheet** (**Debt/Equity** up to 0.56) to fund growth despite the slight **Revenue** contraction.
- **Other Assets** analysis reveals that **Acquisition Costs** of **₹22,816.26 Cr** are subject to USD-INR translation risk, which added **₹324.31 Cr** to the asset value this year without physical progress; **Other Liabilities** are dominated by **Decommissioning Obligations** for Panna-Mukta/Tapti fields totaling **₹4,490.91 Cr**, representing a potential future drain on **FCF**.

- **Other Expenses** were impacted by a change in materiality thresholds at MRPL for capitalizing overhaul expenses, which increased **PBT** by ₹**219.19 Cr**, and a useful life revision at HPCL which increased depreciation by ₹**135.41 Cr**.
- The dominant financial theme of the year is the successful conversion of stagnant production and declining revenue into record profitability and cash flow through margin expansion and non-cash write-backs, while simultaneously increasing leverage to fund a massive, yet-to-be-monetized infrastructure base.

3.3 Contingent Liabilities & Commitments

- **Decommissioning Obligation (Panna-Mukta/Tapti):** ₹4,490.91 Cr. ONGC has assumed full liability; any costs exceeding the Site Restoration Fund (SRF) must be borne by the company.
- **Backstopping Support for OPaL CCDs:** ₹7,778.00 Cr. A significant quasi-debt obligation for Compulsory Convertible Debentures issued by the JV.
- **Letters of Comfort (OPaL):** ₹5,400.00 Cr provided for debt servicing support.
- **Financial Guarantees (OVL):** ₹63,138.47 Cr primarily for overseas project debt (e.g., Mozambique).
- **Insurance Claims:** Outstanding claim of ₹825.50 Cr following Cyclone Tauktae; only ₹166.00 Cr received in FY24, indicating potential recovery delays.
- **Capital Commitments:** Massive CWIP of ₹118,729 Cr represents ongoing commitments to oil and gas infrastructure.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — cash conversion remains strong; CFO of □98,847 Cr exceeds PAT of □55,273 Cr.	□	PAT □55,273 Cr; CFO □98,847 Cr; CFO/OP 111%.	CFO exceeds PAT significantly due to high non-cash depletion/depreciation charges (Note 3.9).
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↓ — inventory surge of 21% despite 4.8% sales drop suggests potential overproduction.	□	Inventory □54,798 Cr (up 21%); Sales □601,581 Cr (down 4.8%).	Inventory days increased from 61 to 87 days; natural gas not inventoried (Note 3.17).
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑↓ — take-or-pay contract liabilities prevent aggressive recognition of undelivered gas volumes.	□	Advance from Customers □1,424 Cr; Contract Liabilities mentioned.	Short-lifted gas recognized as liability until delivery or right expiry (Note 3.18).
4	Revenue from related parties %	Profit ↑↓ — significant exposure to OPaL via backstopping support for □7,778 Cr CCDs.	□	OPaL interest 49.36%; Backstopping support □7,778 Cr.	Disproportionate financial exposure to OPaL JV despite unanimous consent requirement (Note 5.1b).
5	Inventory vs revenue growth	Profit ↓ — inventory build of □9,560 Cr absorbs cash despite declining revenue growth.	□	Inventory growth 21.1% vs Sales growth -4.86%.	Crude oil valued at lower of cost or NRV; gas expensed immediately (Note 3.17).
6	Inventory valuation method change	Neutral — consistent application of FIFO for crude oil valuation maintains year-on-year comparability.	□	FIFO basis used for crude oil and condensate.	Natural gas is not valued as it is not stored (Note 3.17).
7	Exceptional items in operating profit	Profit ↑ — reduction in exceptional losses from □8,138 Cr to □1,568 Cr boosts PAT.	□	FY24 Exceptional: -□1,568 Cr; FY23: -□8,138 Cr.	Exceptional items are reported below operating profit, improving bottom-line quality (P&L Table).
8	Depreciation rate vs useful life policy	Profit ↓ — useful life revision at HPCL subsidiary increased depreciation by □135.41 Cr.	□	Depreciation □30,440 Cr (up 24%); HPCL life revision impact □135.41 Cr.	HPCL revised dispensing unit life from 15 to 10 years (Note 7.5.7).
9	Provision reversals boosting PAT	Profit ↑ — non-cash impairment reversal of □1,030.94 Cr provides one-time boost to PAT.	□	Write back of Impairment: □1,030.94 Cr.	Reversal of previous impairment losses on Oil & Gas assets (Note 6).
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax paid exceeds P&L tax provision, indicating conservative tax accounting.	□	Tax % 25.0; Direct Taxes Paid □14,566 Cr vs P&L Tax □18,356 Cr.	Tax rate remains consistent at 24-25% range (P&L Statement).
11	CWIP age and stalling projects	Neutral — massive CWIP of □118,729 Cr reflects long-cycle infrastructure and platform construction.	□	CWIP □118,729 Cr; Oil & Gas Facilities in Progress □39,069.63 Cr.	Exploratory wells capitalized as long as "sufficient progress" is made (Note 3.11ii).
12	Deferred tax asset recognition adequacy	Neutral — foreign currency translation adjustments from OVL subsidiary impact equity but not PAT.	□	OVL uses USD functional currency; □32.43 Cr translation adjustment.	Functional currency divergence creates non-cash equity volatility (Note 5.1a).

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Profit ↑ — MRPL materiality threshold change for overhauls increased PBT by □219.19 Cr.	□	MRPL overhaul capitalization impact: □219.19 Cr.	Change in accounting estimate for capitalization of overhaul expenses (Note 7.2.6).
14	Dividend paid vs FCF adequacy	Profit ↑ — strong FCF of □60,965 Cr comfortably covers dividend payout of □12,895 Cr.	□	FCF □60,965 Cr; Dividends Paid □12,895 Cr; Payout 31%.	Dividend payout remains sustainable relative to operating cash flows (CF Statement).
15	Asset Capitalization Policy	Profit ↑ — Decommissioning estimate increase of □6,785.63 Cr added to Gross Block.	□	Gross Block increase □6,785.63 Cr.	Capitalizing decommissioning costs instead of expensing defers P&L impact (Note 6).
16	Exploratory Well Accounting	Profit ↑ — Costs carried as Intangible Assets as long as "sufficient progress" is made.	□	Intangible Assets under Development.	Allows deferral of losses on potentially dry wells if assessment is prolonged (Note 3.11ii).

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified. * **KAM - Impairment of Oil & Gas Assets:** Critical estimate involving "Value in Use" calculations, relying on management projections of future crude prices (Dated Brent) and production profiles. Use of both Proved (1P) and Probable (2P) reserves adds subjectivity. * **KAM - Geopolitical Risk (Russia):** Uncertainties regarding assets in Russia (Sakhalin-1, Imperial Energy) due to sanctions and the Ukraine conflict, impacting impairment testing and recoverability. * **KAM - Reserve Estimation:** Inherent imprecision of reservoir engineering noted as high-risk. Financial reliability is affected by the subjective nature of "reasonable certainty" for Proved Reserves. * **Auditor Fees:** Total remuneration of □55.28 Cr; aligned with complexity, no independence risks identified.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |:---|:---|:---|:---|:---| | ***Mangalore Refinery (MRPL)*** | Subsidiary | Sale of Crude Oil | 152,966.95 Cr | ***High concentration; 25.4% of consolidated revenue*** | | ***ONGC Petro additions (OPaL)*** | Joint Venture | Letter of Comfort (Debt) | 5,400.00 Cr | ***Ongoing solvency support; material credit risk*** | | ***ONGC Petro additions (OPaL)*** | Joint Venture | Backstopping for CCDs | 7,778.00 Cr | ***Off-balance sheet quasi-debt obligation*** | | ***ONGC Videsh (OVL)*** | Subsidiary | Financial Guarantees | 63,138.47 Cr | ***Massive exposure to overseas project debt (Mozambique)*** | | **Petronet LNG Limited** | Associate | Purchase of LNG | 3,248.40 Cr | **Strategic sourcing at negotiated/market prices** | | **ONGC-ECPF Trust** | PF Trust | Statutory Contribution | 1,104.00 Cr | Neutral; meeting statutory employee obligations |

C. Shareholding | Holder Category | Mar 2024 (%) | Mar 2023 (%) | |:---|:---|:---| | **Promoter** | 58.89 | 58.89 | | **FII** | 9.24 | 9.01 | | **DII** | 20.91 | 19.46 | | **Public** | 10.96 | 12.64 | * **Pledged Shares:** 0.00% of promoter holding.

D. Board Composition + KMP Compensation * **Total Directors:** 12; **Independent %:** 50.00% (6 of 12). * **Women Directors:** 2 (Sushma Rawat, Reena Jaitly). * **KMP Compensation:** Individual remuneration for Chairman (Arun Kumar Singh) and CFO (V.C. Tongaonkar) not explicitly detailed. * **YoY Growth:** Aggregate employee costs increased from 2.36% to 2.57% of revenue. * **Correlation:** Employee costs grew while revenue declined 4.86%, suggesting a lack of variable pay linkage to top-line performance.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | |:---|:---|:---|:---|:---| | **Dividends Paid** | 12,895.00 Cr | 17,609.00 Cr | 13.05% | **Positive** | | ***Capex (Fixed Assets)*** | 38,133.00 Cr | 36,792.00 Cr | 38.58% | **Growth** | | ***Net Debt Change*** | 48,940.00 Cr | 20,269.00 Cr | 49.51% | ***Deterioration*** | |

Investments (Group Cos) | 3,530.00 Cr | 3,407.00 Cr | 3.57% | ***Risk*** | | **Interest Payments** | 12,291.00 Cr | 6,134.00 Cr | 12.43% | ***Concern*** |

CAPEX Analytical Notes: * **CFO Coverage of Capex:** CFO/Capex ratio is **2.59x**. Core operations easily self-fund the **□38,133 Cr** capex. * **Nature of Capex:** Heavy focus on infrastructure; **□39,069.63 Cr in Oil & Gas Facilities in Progress** indicates massive platform/pipeline construction. * **Capex Deployment Efficiency:** Revenue fell 4.86% despite a 26.5% increase in Gross Block, signaling a lag in production ramp-up. * **Key Takeaways:** The **□2 Trillion Decarbonization plan** will require disciplined allocation to avoid diluting ROCE.

H. Risks * **Geopolitical (Russia):** Sanctions on Sakhalin-1 and Imperial Energy. **Impact:** Potential impairment of overseas assets and disruption in dividend repatriation (High). * **OPaL Solvency:** JV requires continuous debt/ LoC support. **Impact: □7,778 Cr backstopping exposure**; potential for future equity write-offs (High). * **Methane Emissions:** Pressure to reduce fugitive emissions by 2030. **Impact:** Potential for high compliance capex (Medium). * **Reserve Imprecision:** Subjectivity in reservoir engineering. **Impact:** Massive swings in **Depletion (□17,193.25 Cr)** if reserves are downgraded (Medium). * **Decommissioning:** Future cost of field abandonment. **Impact: □4,490.91 Cr obligation**; costs exceeding the SRF fund hit cash flow (Medium).

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	Revenue -4.86%, Crude -1.6%	Dominant but facing legacy field decline and cyclicality.
Financial Health	4	↑	D/E 0.56x, CFO/PAT 1.79x	Strong cash generation despite rising leverage for capex.
Earnings Quality	3	↓	□1,030 Cr write-back, Inventory days 87	High CFO but boosted by non-cash reversals and inventory build.
Management & Governance	4	→	50% Independent, Zero Pledge	Transparent disclosures but high RPT/JV contagion risk.
Capital Allocation & Earnings Visibility	3	→	CWIP □118,729 Cr, ROCE 18%	Massive capex yet to translate to volume growth; OPaL is a drag.

BUSINESS POSITIVES (for this company this year) * □**Strong Cash Conversion: CFO of □98,847 Cr** is 1.79x PAT, ensuring robust liquidity for capex and dividends. * □**Margin Expansion: OPM %** improved from 12% to 17% due to lower raw material costs. * □**Operational Milestone:** Commencement of **"First Oil" from KG-DWN-98/2** in Jan 2024 de-risks deepwater strategy. * □**Sustainable Dividends: □12,895 Cr** paid out, comfortably covered by **FCF of □60,965 Cr**. * □**Reserve Replacement:** Maintained **RRR > 1 (1.15)** for the 18th consecutive year.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Production Decline:** Crude and Gas volumes fell **1.6% and 3.3%** respectively despite high capex. * □**Rising Leverage: Total Debt** surged 34.4% to **□191,195 Cr**, doubling interest costs to **□12,291 Cr**. * □**JV Solvency Risk: □7,778 Cr** off-balance sheet backstopping for OPaL CCDs and **□5,400 Cr** LoC. * □**Inventory Stress: Inventory Days** increased from 61 to 87, absorbing **□7,961 Cr** in cash. * □**Geopolitical Impairment: Sakhalin-1** reclassification signals loss of control and potential impairment of **□27,096 Cr** intangibles.

OVERALL SCORECARD SUMMARY ONGC exhibits strong financial resilience, characterized by record profitability and exceptional cash flow generation that comfortably funds its massive capital expenditure and dividend commitments. However, earnings quality is slightly tempered by non-cash impairment reversals and a significant buildup in inventory. While governance remains stable with a clean audit and zero pledging, the company faces persistent structural risks from its underperforming petrochemical JVs and geopolitical exposure in Russia. The business is currently on a **stable but transitional** trajectory, where the success of deepwater production ramp-ups must offset the aggressive decline of legacy fields and rising interest burdens.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.412)
2	Promoter pledge = 0?	□	0.00% pledged
3	KMP pay < 5% of PAT?	□	Aggregate employee cost 2.57% of revenue
4	RPT quantum < 5% of revenue?	□	MRPL sales = 25.4% of revenue
5	Board > 50% independent?	□	6 out of 12 directors are independent
6	At least 1 woman director?	□	2 women directors (Sushma Rawat, Reena Jaitly)
7	No statutory dues outstanding?	□	No material defaults reported
8	No fraud reported?	□	No fraud reported by auditors
9	Audit trail enabled?	□	Confirmed in auditor's report
10	Frequent Auditor change	□	No frequent changes noted
Final line: "Total: 9/10 □— Governance Rating: 4"			

Part C: Investor Verdict

THESIS: ONGC is a cash-flow powerhouse transitioning from a legacy upstream player to an integrated energy major, with KG-basin volumes acting as a near-term catalyst. **OVERALL STANCE:** ACCUMULATE **RATIONALE:** Strong FCF and 18% ROCE provide a safety margin while waiting for deepwater production to reverse volume declines. **RE-EVALUATE WHEN:** Production volumes from KG-DWN-98/2 fail to hit peak targets or if OPaL requires an equity write-down > □10,000 Cr. **BULL CASE:** Successful 10 GW renewable ramp-up and KG-basin gas peak leads to a 15% CAGR in production volumes. **BEAR CASE:** Sustained Brent < $70/bbl combined with further geopolitical impairments in Russia wipes out 20% of Net Worth. **KEY MONITORABLE:** Production Volume Growth: FY24 Crude -1.6% → Watch for +5% in FY25.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status (FY23)	Summary B Status (FY24)	Forensic Takeaway
Margin Trajectory	OPM at 12% with 28.7% revenue growth.	OPM expanded to 17% despite a 4.86% revenue decline.	Profitability has decoupled from top-line growth, driven primarily by lower raw material costs rather than volume expansion.
Working Capital Efficiency	Inventory days at 61; inventory liquidated to boost cash.	Inventory days stretched to 87; inventory value rose 21%.	The significant inventory buildup suggests potential overproduction or slowing off-take that is now absorbing operating cash.
Capital Allocation (Debt)	Total borrowings at □142,255 Cr; net debt change of □17,434 Cr.	Total borrowings surged to □191,195 Cr; net debt change of □48,940 Cr.	Leverage is accelerating rapidly to fund high capex and JV support, leading to a 65% spike in interest costs.
Earnings Quality	PAT depressed by a massive □9,235 Cr disputed tax provision.	PAT boosted by a □1,030 Cr non-cash impairment reversal.	Current year earnings quality is lower due to the reliance on non-cash write-backs compared to the prior year's conservative provisioning.
Management Tone	Defensive regarding JVs; focused on "1:1:1" integration.	"Pragmatic Urgency"; focus on monetization speed and green energy pivot.	Management has shifted focus from resource identification to aggressive monetization of deepwater assets and decarbonization.
Dividend Strategy	Payout of □17,609 Cr (40% payout ratio).	Payout reduced to □12,895 Cr (31% payout ratio).	Management is moderating dividend outflows to preserve capital for the massive □118,729 Cr CWIP pipeline and rising debt service.

7.2 Persistent Patterns

- **The OPaL joint venture remains a chronic solvency risk, requiring continuous "Going Concern" support, Letters of Comfort, and multi-billion rupee backstopping for CCDs.**
- **Reserve Replacement Ratio (RRR) has consistently remained above 1.0 for 18 consecutive years, though this has yet to translate into meaningful upstream volume growth.**
- **A massive capital lock-up persists in Capital Work-in-Progress (CWIP), consistently exceeding □1.1 Trillion, signaling long gestation periods and execution heavy-lifting.**
- **Earnings quality remains structurally high in terms of cash conversion, with Cash Flow from Operations (CFO) consistently and significantly exceeding Net Profit (PAT).**
- **Geopolitical exposure in Russia (Sakhalin-1) and Sudan continues to be a recurring Key Audit Matter, involving high uncertainty regarding asset control and receivable recovery.**
- **Decommissioning obligations for aging fields represent a large, growing, and non-discretionary future cash drain that management must address as leases expire.**
- **The promoter (Government of India) maintains a stable 58.89% stake with zero shares pledged, ensuring high sovereign oversight and stable governance.**